



Inter-Provincial Diversified
Holdings Limited

1978 ANNUAL REPORT

DIRECTORY

Officers

Joseph Frieberg
President

Robert Scolnick
Vice-President

Joseph Philip Dawson
Secretary

Board of Directors

Joseph Philip Dawson

Joseph Frieberg

Murray Frieberg

Murray Joseph Howe

Robert Scolnick

Auditors

Thorne Riddell & Co.
Toronto, Ontario

Head Office

Hwy. #7 and Keele Street
Concord, Ontario

Executive Office

275 Belfield Road
Rexdale, Ontario

Shares Listed

Common
Toronto Stock Exchange

Registrar and Transfer Agent

The Canada Trust Company
Common Shares

HIGHLIGHTS

	1978	1977
Income	\$ 795,451	\$ 264,304
Earnings:		
Before extraordinary items	1,075,935	529,735
Extraordinary items	(1,030,797)	136,867
Net earnings	45,138	666,602
Earnings per share:		
Before extraordinary items	\$1.05	\$.50
Net earnings	.04	.64
Total assets	8,954,631	8,096,990
Shareholders' equity	5,278,413	5,355,133
Common shares outstanding	396,820	1,180,251
Equity per common share	\$5.14	\$4.37

HOWMARK OF CANADA

Twelve Months Ended December 31

Sales	\$ 9,218,961	\$ 7,606,675
Net earnings	422,524	243,822

I.C.D. - TRI-NORTH DEVELOPMENTS

Twelve Months Ended December 31

Sales	\$ 2,712,450	\$ 356,500
Net earnings	1,077,685	93,043

UNITED TIRE & RUBBER CO. LIMITED

Twelve Months Ended December 31

Sales	\$38,058,000	\$31,894,000
Net earnings	1,805,000	729,000

TO OUR SHAREHOLDERS

The Company enjoyed record results for the 1978 year. Consolidated net earnings before extraordinary items were \$1,075,935 compared with \$529,735 in 1977. Our affiliates all showed improved results in their sales and net earnings in 1978.

Howmark of Canada's sales for the year ended December 31, 1978 increased to \$9,219,000 from \$7,607,000 in 1977 and earnings were \$423,000 compared with \$244,000 in 1977. Howmark is one of Canada's largest importers of footwear. Howmark also owns 75% of Olympia Shoe (1975) Ltd., a manufacturer of winter boots for men and women.

United Tire & Rubber Co. Limited's sales for the year ended December 31, 1978 increased to \$38,058,000 from \$31,894,000 in 1977, and earnings were \$1,805,000 compared with \$729,000 in 1977. United Tire designs, manufactures, retreads, and services tires for the mining, forestry, construction, and transportation industries and is the only Canadian-owned manufacturing company in the tire industry.

On March 30, 1979 we sold our interest in Steintron International Electronics Ltd., for \$3,512,000. Since the carrying value of our shares in Steintron was in excess of the proceeds received on the sale of the shares, it was necessary to write down our investment in Steintron by \$1,649,000. However, we did not lose money on the sale of the Steintron shares. Our cost for the purchase of these shares was \$2,873,000. We received dividends since the dates of acquisition of \$486,000 giving us a net cost of \$2,387,000. Our proceeds were \$3,512,000 resulting in a cash profit of \$1,125,000.

Our real estate venture in Grande Prairie, Alberta generated substantial profits in 1978. Sales of industrial lots were \$2,712,000 and earnings were \$1,077,000. Our share of the profits of this partnership is 50%. We are presently servicing the balance of the industrial lands and we expect to sell these lots in 1979. Our residential lands comprised of 160 acres are now in the planning stage and we expect to be servicing these lands by 1981.

We have made a major investment in lands in Phoenix, Arizona and Denver, Colorado of which two parcels are being developed this year. We have a one-half interest in two 40 acre parcels which are now in the planning stage. The first serviced lots are scheduled to be available to builders in late 1979.

It is recorded with deep regret that Mr. William Zimmerman, a member of the Board of Directors, died in 1978. Mr. Zimmerman was a member of our board since 1966 and during that period made a major contribution to the success of Inter-Provincial. Deepest sympathy is extended to all members of his family.

We continue to be confident that in 1979 we can expect continued sales and earnings growth of all our affiliated companies.

Joseph Frieberg
President

Robert Scolnick
Vice-President

May 28, 1979

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Income

Year Ended December 31, 1978

	1978	1977
Income		
Share of partnership income	\$ 748,078	\$ 168,433
Interest and other income	47,373	95,871
	<u>795,451</u>	<u>264,304</u>
Expenses		
Interest on long-term debt	138,206	165,043
Other interest	208,284	144,951
Depreciation	2,648	21,176
Other expenses	226,420	169,527
	<u>575,558</u>	<u>500,697</u>
	219,893	(236,393)
Income taxes recoverable — subsidiary company		51,796
	<u>219,893</u>	<u>(184,597)</u>
Share of earnings of effectively controlled companies before extraordinary items (note 2)		
Steintron International Electronics Ltd.	489,534	518,297
United Tire & Rubber Co. Limited	542,508	196,035
	<u>1,032,042</u>	<u>714,332</u>
Income before income taxes and extraordinary items	1,251,935	529,735
Income taxes	176,000	
Income before extraordinary items	<u>1,075,935</u>	<u>529,735</u>
Extraordinary items		
Write-down of investment in Steintron International Electronics Ltd.	(1,649,369)	
Share of extraordinary earnings of effectively controlled companies		
United Tire & Rubber Co. Limited	172,147	83,668
Steintron International Electronics Ltd.	270,425	30,186
Gain on sale of land and buildings		23,013
Income tax reduction realized on claiming for income tax purposes prior years' losses	176,000	
	<u>(1,030,797)</u>	<u>136,867</u>
Net income	<u>\$ 45,138</u>	<u>\$ 666,602</u>
Earnings per share (note 6)		
Income before extraordinary items	\$1.05	\$.50
Net income	.04	.64
Fully diluted earnings per share		
Income before extraordinary items	\$.99	\$.46
Net income	.04	.58

Consolidated Statement of Retained Earnings

Year Ended December 31, 1978

Balance at beginning of year	\$4,192,547	\$3,525,945
Net income	45,138	666,602
	<u>4,237,685</u>	<u>4,192,547</u>
Premium on common shares purchased for cancellation	(157,002)	
Deemed dividend on capitalization of retained earnings	(2,014,302)	
Balance at end of year	<u>\$2,066,381</u>	<u>\$4,192,547</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet**as at December 31, 1978**

ASSETS	<u>1978</u>	<u>1977</u>
Current Assets		
Cash	\$ 354,920	
Accrued interest, dividends and accounts receivable	129,934	\$ 63,929
Principal due within one year on 9% debentures	95,000	95,000
	<u>579,854</u>	<u>158,929</u>
 Investments (note 2)	 8,374,777	 7,935,413
 Fixed Assets		 2,648
 Approved by the Board		
Director <i>Joseph Frieberg</i>		
Director <i>Robert Scolnick</i>	<u>\$8,954,631</u>	<u>\$8,096,990</u>

To the Shareholders of
Inter-Provincial Diversified Holdings Limited

AUDITOR

We have examined the consolidated balance sheet of Inter-Provincial Diversified Holdings Limited as at December 31, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination of Inter-Provincial Diversified Holdings Limited and its subsidiaries was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For companies accounted for by the equity method we

Toronto, Canada
April 20, 1979

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet**as at December 31, 1978****LIABILITIES**

	<u>1978</u>	<u>1977</u>
Current Liabilities		
Bank advances (note 3)	\$3,288,763	\$1,169,104
Interest payable and accrued liabilities	137,455	81,807
Loan payable	250,000	250,000
Income and other taxes payable		40,946
Principal due within one year on long-term debt		250,000
	<u>3,676,218</u>	<u>1,791,857</u>
Long-Term Debt		<u>950,000</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 4)		
Second preference shares	150,000	200,000
Common shares	3,062,032	1,245,198
	<u>3,212,032</u>	<u>1,445,198</u>
Retained Earnings	2,066,381	4,192,547
	<u>5,278,413</u>	<u>5,637,745</u>
Deduct cost of company's common shares purchased		282,612
	<u>5,278,413</u>	<u>5,355,133</u>
	<u>\$8,954,631</u>	<u><u>\$8,096,990</u></u>

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have relied on the reports of the other auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.
Chartered Accountants

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1978

	<u>1978</u>	<u>1977</u>
Working Capital Derived From		
Decrease in non-current portion of 9% debenture receivable	\$ 95,000	\$ 95,000
Withdrawal of funds from partnerships	816,161	
Proceeds on sale of land and buildings less mortgages assumed by purchaser of \$319,427		170,345
	<u>911,161</u>	<u>265,345</u>
Working Capital Applied To		
Operations		
Loss (income) before share of earnings of effectively controlled companies and extraordinary items	(219,893)	184,597
Share of undistributed earnings of partnerships	705,129	112,471
	<u>485,236</u>	<u>297,068</u>
Dividends received from effectively controlled companies	(142,465)	(134,015)
Depreciation	(2,648)	(21,176)
	<u>340,123</u>	<u>141,877</u>
Reduction in non-current portion of long-term debt	950,000	250,000
Investments	671,817	17,800
Partnership interests	290,799	45,000
Second preference shares	50,000	50,000
Purchase of company's common shares	71,858	38,430
	<u>2,374,597</u>	<u>543,107</u>
Decrease In Working Capital Position	<u>1,463,436</u>	<u>277,762</u>
Working Capital Deficiency At Beginning Of Year	<u>1,632,928</u>	<u>1,355,166</u>
Working Capital Deficiency At End Of Year	<u><u>\$3,096,364</u></u>	<u><u>\$1,632,928</u></u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 1978

1. Accounting Policies

(i) Basis of consolidation

The consolidated financial statements include the accounts of Inter-Provincial Diversified Holdings Limited and its wholly owned subsidiary company, I.C.D. Realty Limited as well as the accounts at November 30, 1978 of I.C.D. Realty Limited's wholly owned United States subsidiary I.C.D. Development Company of Arizona, Ltd.

(ii) Foreign currency translation

Amounts in foreign currency have been translated to Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange as at the balance sheet date; investments in partnerships at the rate of exchange at the date of acquisition; operating revenues and costs and expenses, at the average rate of exchange for the year.

2. Investments

United Tire & Rubber Co. Limited

	<u>1978</u>	<u>1977</u>
Shares at equity value	\$2,804,913	\$2,090,258
1,014,200 Class A special shares		
111,111 7% Cumulative convertible first preference shares		
400,000 10% Cumulative, convertible second preference shares		
9% Debentures maturing to June 1, 1981 (less principal included in current assets)	<u>92,500</u>	<u>187,500</u>
	\$2,897,413	2,277,758

Steintron International Electronics Ltd.

at net realizable value (equity value in 1977)	3,512,120	4,543,995
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Demand promissory note receivable from I.C.D.-Tri-North Developments, an Arizona partnership 676,315

Partnership interests

at equity value		
Howmark of Canada	842,332	692,207
I.C.D.-Tri-North Developments	148,286	409,443
I.C.D.-Tri-North Developments, an Arizona partnership	257,055	
Equity Commercial Holdings	33,744	

Other investments, at cost

	<u>7,512</u>	<u>12,010</u>
	<u>\$8,374,777</u>	<u>\$7,935,413</u>

(i) United Tire & Rubber Co. Limited

The company's holdings of Class A special shares represent a 40.42% interest. If all of the United Tire & Rubber Co. Limited first and second preference shares were converted to Class A special shares, the company's holding would represent a 38.1% interest.

(ii) Steintron International Electronics Ltd.

Subsequent to December 31, 1978 the company agreed to sell all of its holdings in Steintron International Electronics Ltd. Since the carrying value was in excess of the proceeds received on the sale of the shares, a provision was made to reduce the investment to its net realizable value.

(iii) Howmark of Canada

The company has a 50% interest in the earnings since inception.

(iv) I.C.D.-Tri-North Developments

Under the partnership agreement of the subsidiary company, I.C.D. Realty Limited contributes two-thirds of the capital and shares equally in profits and losses. Land, both under development and held for future development, is the principal asset of the partnership.

Assets and liabilities of the partnership as at January 1, 1979 are as follows:

Assets	\$794,207
Liabilities	499,137
Partners' equity	<u>\$295,070</u>

(v) I.C.D. Realty Limited

During the year I.C.D. Realty Limited incorporated a wholly owned United States subsidiary company, I.C.D. Development Company of Arizona, Ltd. This company entered into a number of partnerships for the purpose of investing and developing land in Arizona and Colorado.

2. Investments (continued)

Assets and liabilities of the partnerships as at December 31, 1978 are as follows:

	Arizona	Colorado
Assets	\$2,100,796	\$55,610
Liabilities	<u>1,534,271</u>	<u>1,186</u>
Partners' equity	<u>\$ 566,525</u>	<u>\$54,424</u>

Included in liabilities above is the demand promissory note payable to I.C.D. Realty Limited in the amount of \$676,315.

3. Bank Advances

The bank advances are secured by a general assignment of book debts, the common shares representing the company's holdings in United Tire & Rubber Co. Limited, the debentures of United Tire & Rubber Co. Limited, an assignment of the company's 50% interest in Howmark of Canada and an assignment of mortgages on land in Alberta and Arizona.

4. Capital Stock

Authorized

500,000	First preference shares of \$10 par value, issuable in series (1977, 40,000 shares of \$100 par value)
150,000	Convertible second preference shares of \$1 par value (1977, 200,000 shares)
2,000,000	Third preference shares of \$2 par value
10,000,000	Class A shares without par value
1,856,569	Common shares without par value (1977, 2,040,000 shares)

Issued	1978	1977
150,000 Second preference shares (1977, 200,000 shares)	\$ 150,000	\$ 200,000
996,820 Common shares (1977, 1,180,251 shares)	<u>3,062,032</u>	<u>1,245,198</u>
	<u>\$3,212,032</u>	<u>\$1,445,198</u>

During the year the company obtained Articles of Amendment increasing the authorized capital by the creation of (a) an additional 10,000 first preference shares with a par value of \$100. The first preference shares were also redivided into 500,000 first preference shares with a par value of \$10 each, (b) 2,000,000 third preference shares with a par value of \$2 each, issuable in series.

Common shares purchased

Year	Number of shares	Cost	Tax	Total
1974 to 1976	124,400	\$221,595	\$22,587	\$244,182
1977	27,400	37,986	444	38,430
1978	31,631	71,858		71,858
	<u>183,431</u>	<u>\$331,439</u>	<u>\$23,031</u>	<u>\$354,470</u>

The above shares were cancelled in 1978. Share capital was charged with the assigned value of \$197,468. The cost in excess of the assigned value was charged to retained earnings. A deemed dividend in the amount of \$2,014,302 was transferred from retained earnings to capital stock.

The company is required on or before April 30 in each year to set aside as a redemption fund for the redemption of second preference shares an amount equal to 10% of the aggregate par value of second preference shares issued. The aggregate par value of shares purchased for cancellation or converted into common shares shall be applied as a credit in satisfaction in whole or in part of any redemption fund payment. The second preference shares are convertible on the basis of two common shares for each five second preference shares. The company is required to redeem second preference shares to the extent that 50,000 second preference shares are not converted in each year.

In 1978, 50,000 second preference shares were redeemed, thereby reducing the authorized second preference shares by 50,000 shares.

The following options on common shares are outstanding:

5,000 shares at \$4.50 per share exercisable within the period ending June 14, 1979.

5. Income Taxes

At December 31, 1978, the company and its subsidiary companies have the following approximate amounts available to reduce future years' income for tax purposes, the tax effect of which has not been reflected in the accounts.

Losses carried forward on a tax filing basis available until December 31:

1979	\$123,000
1980	252,000
1981	5,000
1982	112,000
1983	<u>38,000</u>
	<u>\$530,000</u>

6. Earnings Per Share

Basic earnings per share have been calculated using the weighted monthly average method after giving effect to common shares purchased and cancelled. Fully diluted earnings per common share assumes the conversion of preference shares and the exercise of share options.

7. Other Statutory Information

Remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$106,000 (1977, \$105,900).

FIVE YEAR FINANCIAL REVIEW

	1978	1977	1976	1975	1974
Howmark of Canada					
Sales	\$ 9,218,961	\$ 7,606,675	\$ 6,665,587*	\$ 6,658,275	\$ 5,907,271
Net earnings	422,524	243,822	394,884	541,269	370,066
I.C.D. - Tri-North Developments					
Sales	2,712,450	356,500			
Net earnings	1,077,685	93,043			
United Tire & Rubber Co. Limited					
Sales	38,058,000	31,894,000	28,517,000	23,445,000	27,100,000
Net earnings	1,805,000	729,000	134,000	(2,005,000)	1,826,000

*10 months



Inter-Provincial Diversified
Holdings Limited